



ARIZONA STATE SENATE
Fifty-Third Legislature, First Regular Session

FACT SHEET FOR H.B. 2533

TPT; aircraft; fractional ownership

Purpose

Exempts aircraft sold to persons who will enter the aircraft into a fractional ownership program that meets Federal Aviation Administration (FAA) regulations from transaction privilege tax (TPT) and use tax.

Background

Current statute states that the retail TPT classification is comprised of the business of selling tangible personal property at retail. The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business. Use tax is a levy on items purchased in other states that are then brought into Arizona for storage, use or consumption and for which no tax has been paid in another state (A.R.S. §§ [42-5061](#) and [42-5160](#)).

[Laws 2016, Chapter 367](#) exempted from state TPT and use tax the sale of aircraft and aircraft equipment to charter airlines that are: 1) exempt by federal law by obtaining a federal certificate of public convenience and necessity; 2) federally certified or licensed to transport persons or property in intrastate, interstate or foreign commerce; 3) operating an aircraft in any manner for compensation or hire; or 4) acquiring an aircraft for the purpose of selling, leasing or transferring operational control of the aircraft, instruments or accessories to one or more persons.

Under the FAA Regulations outlined in 14 Code of Federal Regulations, Part 91, Subpart K., a *fractional ownership program* is defined as any system of aircraft ownership and exchange that consists of all of the following elements: 1) the provision for fractional ownership program management services by a single fractional ownership program manager on behalf of the fractional owners; 2) two or more airworthy aircraft; 3) one or more fractional owners per program aircraft, with at least one program aircraft having more than one owner; 4) possession of at least a minimum fractional ownership interest in one or more program aircraft by each fractional owner; 5) a dry-lease aircraft exchange arrangement among all of the fractional owners; and 6) multi-year program agreements covering the fractional ownership, fractional ownership program management services, and dry-lease aircraft exchange aspects of the program.

The estimated impact to the state General Fund associated with this legislation is unknown.

Provisions

1. Exempts aircraft sold to persons who will enter the aircraft into a fractional ownership program that meets FAA regulations from TPT and use tax.

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2. Makes a technical change.
3. Becomes effective on the general effective date or later, subject to the provisions of the conditional enactment.

House Action

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| APPROP | 2/22/17 | DP | 8-5-0-1 |
| 3 rd Read | 2/23/17 | | 32-28-0 |

Prepared by Senate Research
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FB/EB/jn